Ladies and Gentlemen:

My name is David Cohen and I am president of ResCom Energy, the 4th largest electric supplier in the state of Connecticut with over 65,000 electric customers. I am also Executive Vice President and co-owner of Standard Oil of Connecticut, one of Connecticut's oldest and largest heating oil companies.

As a number of people will testify today, the switch to a competitive electricity market in Connecticut has been unqualified success. Approximately 600,000 customers have switched to a competitive supplier and these customers have saved well in excess of $200 million in the process. Free market competition has brought needed transparency to the electric market, which has caused everyone, including electric suppliers and electric distribution companies, to sharpen their pencils for the benefit of all consumers.

I am concerned, however, that a number of aspects of An Act Concerning Connecticut's Energy Future are trying to limit competition and to bring the electric market back under monopoly control. This time it substitutes the monopoly of the utility companies for the monopoly of the state. My concern is that this will result in potentially large liabilities for the state and will result in a less efficient energy market and higher prices for consumers.

For example, Section 71 of the bill calls for the state to enter into long term bilateral contracts to purchase electricity from existing or new generators. I have 20 years experience in the energy markets and I have seen crude oil sell for $10 a barrel and I have seen it sell for $150 a barrel. It is virtually impossible to predict energy prices – except in hindsight. Entering into a long term contract is, in essence, a speculation on the future price of electricity. If the state makes an error, it could prove extremely costly to the ratepayers and /or taxpayers. I have with me today a print out of an article from Time Magazine from 1983 titled "Whoops. A $2 Billion Blunder: Washington Public Power Supply System". The article discusses the catastrophic $2 Billion municipal bond default that occurred when the State of Washington power authority underwrote a project to build 2 power plants. I can assure you that the public servants who made the decision to build those power plants thought they were acting in the best interest of the ratepayers and taxpayers. They were grossly mistaken.

In a similar vein, I am concerned about Section 67 which calls for the Bureau of Public Utility to "buy down" an electric distribution company's current standard service contract. The language is pretty vague, but Section 67 basically allows the Bureau of Public Utility to use tax payer money to bail out the purchasing mistakes made by the utility companies. This sets up a very dangerous precedent that the state will use taxpayer money to bail out purchasing mistakes. If this practice is allowed, it will be a game of heads I win and tails you lose. If that becomes the nature of the electricity market, then the competitive electricity market will fail, electric prices will rise, and ratepayers and taxpayers will ultimately foot the bill.

My advice is that the state should work diligently with ISO-NE to develop market based solutions to encourage investment by private investors, and to refrain from making long term bilateral agreements as outlined in Section 71 and to refrain from bailing out purchasing mistakes as contemplated in Section

67. And if the private market is not willing to make an investment in a certain energy project, the state should carefully consider why that is the case and to be careful not to rush in where others fear to tread.

I again encourage all of you to review the lessons of the past and read the "Whoops! A $2 Billion Blunder: Washington Public Power Supply System." If you have any questions, I would be happy to answer them at this time.